

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

Barbara Beerhalter	Chair
Cynthia A. Kitlinski	Commissioner
Norma McKanna	Commissioner
Robert J. O'Keefe	Commissioner
Darrel L. Peterson	Commissioner

In the Matter of the Petition of Interstate
Power Company for Approval of Capital
Structure Prior to the Issuance of Securities.

ISSUE DATE: July 29, 1988

DOCKET NO. G,E-001/S-88-399

ORDER APPROVING PETITION

PROCEDURAL HISTORY

Interstate Power Company (the Company) filed with the Minnesota Public Utilities Commission (the Commission) on June 14, 1988, a Petition for approval of its existing capital structure prior to the issuance of up to \$50,000,000 unsecured promissory notes or bank loans and its capital structure as it is proposed to be changed by the issuance of securities. The Petition was filed pursuant to Minnesota Statutes Section 216B.49 (1986) and Minnesota Rules, parts 7825.1000 to 7825.1500.

FINDINGS AND CONCLUSIONS

I

Interstate Power Company, a Delaware Corporation, is a utility company, subject to regulation by the Commission under Minnesota Statute Section 216B.49 (1986).

II

Issuance of unsecured promissory notes or bank loans will constitute an issuance of securities within the purview of Minnesota Statute Section 216B.49 (1986).

III

The Company seeks approval of capital structure prior to the issuance of short-term unsecured commercial papers not exceeding \$50,000,000.

IV

The proposed issuance of short-term securities as hereinafter authorized, will be for a lawful objective within the corporate purposes of the Company and compatible with the public interest, which is appropriate for and consistent with the proper performance by the Company for service as a public utility and which will not impair its ability to perform the service and is reasonably appropriate for such purposes.

V

As a result of the financing proposed herein, the Company's capital structure would be as outlined below. Also shown is the Company's estimate of its capital structure as of 12/31/88.

(Dollar amounts in millions)

	<u>Actual 12/31/87</u>	<u>Adjusted</u> <u>Financing</u>	<u>After</u>	<u>Company's</u> <u>12/31/88</u>	<u>Estimate</u>
Common Stock	\$172.4 41.9%	\$172.4 37.4%		\$174.6 42.4%	
Preferred and Preference Stock	41.5 10.1	41.5 9.0		40.5 9.8	
Long-Term Debt	197.2 48.0	197.2 42.8		196.9 47.8	
<u>Short-Term Debt</u>	_____	<u>50.0 10.8%</u>		_____	

Total Capitalization

\$411.1 100.0%

\$461.1 100.0%

\$412.0 100.0%

VI

Upon consideration of the nature of the business of the Company, its credit and prospects, the possibility that the value of the property may change from time to time and the effect which the issuance shall have upon the management and operation of the Company, the Commission finds that the amount of securities at each class bear a reasonable proportion to each other and to the value of the property.

VII

Although the adjusted capital structure as outline above is reasonable for the purpose of maintaining the financial integrity of the Company, the Commission specifically reserves the right to use a different capital structure for the purpose of determining the reasonableness of existing or proposed rates paid by the Company's retail customers.

VIII

Although the adjusted capital structure as outlined above is reasonable and proper and in the public interest and will not be detrimental to the consumers and patrons affected thereby, the Commission notes that such an adjusted capital structure may vary slightly depending upon the precise dollar amount of proceeds received by the Company from the financing applied for.

IX

The aggregate amount of the securities of the Company outstanding and proposed to be outstanding, if the Petition is granted, will not exceed the fair value of its properties and business.

ORDER

1. The issuance of short-term unsecured promissory notes and commercial paper shall be used substantially for the purpose set forth in the Company's petition.
2. The Company's estimated capital structure as set forth under "Findings of Fact and Conclusions" above is hereby authorized and approved. The total capitalization for the calendar year 1988 shall not exceed \$461.1 million. Further, the individual components of such capital shall not exceed the following amounts:

Common Equity	\$174.6 million
Preferred and Preference Stock	41.5 million
Long-term Debt	197.2 million
Short-term Debt	50.0 million

including the purchase and issuance of related securities up to and including the following amounts:

Short-term Debt \$50,000,000

3. Except as otherwise stated herein, this order approving the projected capital structure shall be effective for calendar year 1988, or until the Company requests modification or revision, or until the Commission deems conditions have changed sufficiently to warrant further review.
4. The Company shall file a full and complete report of the consummation of the transactions involved herein, together with a statement of costs and expenses incurred therewith, no later than thirty days after the consummation of the transactions authorized herein.
5. The Commission agrees with and adopts the findings of the DPS which are incorporated and hereby attached in this Order. The Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Mary Ellen Hennen
Executive Secretary

(S E A L)